



State of Utah Department of Commerce

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Utah Woman Sentenced to 5 Years in Prison for Investment Fraud

Cedar City, UT – September 4, 2003

The Utah Division of Securities, United States Attorney for the Northern District of Illinois, together with the Chicago Office of the Federal Bureau of Investigation and the Illinois Secretary of State's Office announced today that LONETA S. CARTER, also known as Neta Carter from Cedar City, Utah was sentenced in federal court to 5 years in prison for scheming to defraud investors of more than \$2 million in connection with Nevis Investors, Ltd.

United States District Court Judge Philip G. Reinhard sentenced Carter to 5 years in prison to be followed by 3 years of supervised release. Judge Reinhard also ordered Carter to pay \$1,529,755 in restitution to victims of the fraud.

Carter was indicted on September 17, 2002, and charged with wire fraud in connection with a scheme to defraud investors. On June 16, 2003, Carter pleaded guilty to fourteen counts of wire fraud, each with a potential 5-year sentence. While pleading guilty, Carter admitted to devising a scheme to defraud numerous investors of more than \$2 million. Carter admitted she falsely promised to invest victims money in various high-yield investments, when in reality Carter secretly converted a substantial portion of the investors' money to her own use. Carter admitted she paid previous investors their promised returns from new investors' money when they threatened to complain to regulators or law enforcement authorities. This conduct is commonly referred to as a Ponzie Scheme.

In her plea agreement, Carter admitted that she established and operated Nevis Investors, Ltd. and was the Managing Director. Carter acknowledged she had made numerous misrepresentation and false promises to induce prospective investors to wire transfer funds to bank accounts she established in Cedar City, Utah and Las Vegas,



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Nevada. According to the plea document, some of those misrepresentations and false promises included:

Carter promised to pool investors' funds and invest those funds in trading programs consisting of the purchase and sale of discounted bank debt instruments or bank notes, also referred to as "Prime Bank Notes."

Carter promised the trading programs would result in investors receiving profits of as much as 50% per month.

Carter represented that the investors principal would be safe as she promised she would provide the investors with a demand note secured by property that had been appraised at \$40 million.

Carter admitted that from March 1998 to November 2000, she received funds from investors in the United States, Canada, and Belize. According to the plea agreement, after receiving investors' funds, Carter used substantial amounts of the funds for her personal use including paying for tuition for private school for her children, paying personal debts and credit card bills, and buying real property. To hide the scheme, Carter admitted she had sent out statements to investors which fraudulently represented the investments were earning 50% per month.

According to Michael Hines, the Director of Enforcement for the Utah Division of Securities, bank trading programs continue to be a common scheme to defraud which attracts many investors because of ridiculous promised rates of return. Mr. Hines described bank-trading programs as the **nonexistent secondary market for trading bank instruments**. Promoters often describe these as secret bank trading programs reserved for the very rich but because small investors can pool their money to reach large minimum required investments, the promoter will gain access to these investment opportunities. Promoters often announce that regulators and law enforcement agencies will deny the existence of these trading programs, a fact that is true. However, this denial by regulators somehow convinces the investor that the promoter is being truthful.

Anyone being offered the opportunity to invest in these programs is encouraged to call the Utah Division of Securities at 801-530-6600.